

801- 359- 3940

Draft

Tony - Please review + call me. I would like to have Greg Hahn sign + express mail to you today.

December 30, 1996

Mr. Anthony Gallegos

State of Utah

Division of Oil, Gas & Mining

1594 West North Temple, Suite 1210

Salt Lake City, Utah 84114-5801

Pat

RE: Summo USA Corporation, Lisbon Valley Copper Project - Reclamation Contract and Proposed Reclamation Bond

Mr. Gallegos:

Summo USA Corporation (Summo) is please to comply with the final conditions of the Utah, Division of Oil, Gas, and Mining (Division), December 12, 1996 Tentative Approval for the Lisbon Valley Copper Project. Prior to this letter, Summo has submitted reclamation calculations for the life of the project and hydrologic design detail requested by the Division.

This letter includes as Attachments:

- An executed Reclamation Contract
- The proposed form and initial amount of Surety

Please note that initial reclamation bond amount is equal to 30% or three years of the proposed project. While Summo has calculated reclamation obligations for the current life of the proposed project, it is understood that activities beyond three years or 30 % of the total bond can not be initiated until additional satisfactory bonding is in place. Or, when reclamation of approved activities is completed to Division satisfaction.

This should satisfy all of the conditions and questions that the Division has requested of Summo. If there are additional questions or needs, please contact me at the listed letterhead number.

Sincerely,

Lee "Pat" Gochnour
Principal

Attachments (2)

cc: Mr. Robert Prescott - Summo USA Corporation

DRAFT

M/037/088

FAX TRANSMISSION

GOCHNOUR & ASSOCIATES, INC.

P.O. 3207
ENGLEWOOD, CO 80155
(303)-770-7580
FAX: (303)-721-9298

To: Tony Gallegos - UDOG&M Date: December ²⁷~~26~~, 1996 16:08
Fax #: 801-359-3940 Pages: 11, including this cover sheet.
From: Lee "Pat" Gochmour
Subject: Draft Reclamation Contract & Proposed Surety Form - Lisbon Valley Project

COMMENTS:

Mr. Gallegos:

Attached please find the above referenced forms (and typed in information). The information provided addresses your most recent comments to a Draft of this document provided to you on 12/23/96. Please review this information. If you have additional questions or edits, please give me a call at the listed number. I would like to send this to Summo for signature and notary as soon as possible. Your prompt review and edit is greatly appreciated.

Thanks for your efforts and assistance.

Pat G.I

cc - Bob Prescott - Summo

Edits - Per your call

Pat G

FORM MR-RC
Revised June 10, 1996
RECLAMATION CONTRACT

File Number _____
Effective Date _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECLAMATION CONTRACT
---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) (Mineral Mined)	M/037/088 <u>Copper</u>
"MINE LOCATION": (Name of Mine) (Description)	<u>Lisbon Valley Copper Project</u> <u>18 miles south of La Sal, Utah</u> <u>San Juan County</u>
"DISTURBED AREA": (Disturbed Acres) (Legal Description)	<u>314.4 Acres/30% of total project*</u> <u>(refer to Attachment "A")</u>
"OPERATOR": (Company or Name) (Address)	<u>Summo USA Corporation</u> <u>Denver Center Building, Suite 900</u> <u>1776 Lincoln Street</u> <u>Denver, CO 80203</u>
(Phone)	<u>303-861-5400</u>

* See Attachment A for Explanation

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone)

Mr. Robert A. Prescott

Summo USA Corporation

P.O. Box 847

Moab, UT 84532

801-259-3077

"OPERATOR'S OFFICER(S)":

Mr. Greg Hahn - President

Mr. Robert A. Prescott - Vice President

"SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Robert C. Bates, Inc.

"SURETY AMOUNT":

(Escalated Dollars)

\$1,863,967.50

"ESCALATION YEAR":

2002

"STATE":

"DIVISION":

"BOARD":

State of Utah

Division of Oil, Gas and Mining

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Summo USA Corporation the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/037/088 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated August 1995, and the original Reclamation Plan dated August 1995. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as

amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

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Revised June 10, 1996

Form MR-RC

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

Summo USA Corporation

Operator Name

By: Gregory A. Hahn
Authorized Officer (Typed or Printed)

Authorized Officer's Signature

Date

SO AGREED this _____ day of _____, 19____

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY _____
Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By _____
James W. Carter, Director

_____ Date

STATE OF _____)
COUNTY OF _____) ss:

On the _____ day of _____, 19 _____, personally appeared before me, who being duly sworn did say that he/she, the said _____ is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.

Notary Public
Residing at: _____

My Commission Expires:

OPERATOR:

Summo USA Corporation

Operator Name

By Gregory A. Hahn - President

Corporate Officer - Position

Date _____

Signature

STATE OF _____)
COUNTY OF _____) ss:

On the _____ day of _____, 19____, personally
appeared before me Gregory A. Hahn who
being by me duly sworn did say that he/she, the said Gregory A. Hahn
is the President of Summo USA Corporation
and duly acknowledged that said instrument was signed on behalf of said company
by authority of its bylaws or a resolution of its board of directors and said
Gregory A. Hahn duly acknowledged to me that said
company executed the same.

Notary Public
Residing at: _____

My Commission Expires:

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Revised June 10, 1996

Form MR-RC

ATTACHMENT "A"

Summo USA Corporation

Operator

M/037/088

Permit Number

Lisbon Valley Copper Project

Mine Name

San Juan

County, Utah

The legal description of lands to be disturbed is:

- * The total proposed project disturbance is = 1048 acres. Summo USA Corporation is proposing to initially bond for 30% (3 years of activity) = 314.4 acres

Before additional activities at the project occur, Summo will post the appropriate additional bond necessary for the activity.

All Proposed activities are located in all, or parts of:

Sections 22, 23, 24, 25, 26, 27, 34, 35, & 36 Township 30 South, Range 25 East

Section 1 Township 31 South, Range 25 East

Sections 30 & 31 Township 30 South, Range 26 East

ATTACHMENT B

MR FORM 6
Joint Agency Bonding Form

(June 10, 1996)

Bond Number _____
Permit Number _____
Mine Name _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940

THE MINED LAND RECLAMATION ACT

SURETY BOND

The undersigned Summo USA Corporation
Robert C. Bates, Inc. _____ as Principal, and
_____ as Surety, hereby jointly
and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the
State of Utah, Division of Oil, Gas and Mining, and the U.S. Department of the Interior - Bureau of
Land Management, and the School and Institutional Trust Lands Administration in the penal sum of
One Million Eight Hundred Sixty-Three Thousand, _____ dollars (\$ 1,863,967.50).
Nine Hundred Sixty-Seven Dollars and Fifty Cents.

Principal has estimated in the Mining and Reclamation Plan approved by the Division of
Oil, Gas and Mining on the _____ day of _____, 19____, that 314.4 acres of land
will be disturbed by this mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to
the Reclamation Contract of which this document is an integral part.

* See Attachment A for explanation

The condition of this obligation is that if the Division determines that Principal has
satisfactorily reclaimed the disturbed lands in accordance with the approved Mining and Reclamation
Plan and has faithfully performed all requirements of the Mined Land Reclamation Act, and
complied with the Rules and Regulations adopted in accordance therewith, then this obligation shall
be void; otherwise it shall remain in full force and effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of the
disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act and regulations,
then Principal may apply for a reduction in the amount of this Surety Bond.

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MR-6
Joint Agency Surety Bond
Attachment B

Bond Number _____
Permit Number _____
Mine Name _____

In the converse, if the Mining and Reclamation Plan provides for a gradual increase in the area disturbed or the extent of disturbance, then, the Division may require that the amount of this Surety Bond be increased, with the written approval of the Surety.

This bond may be canceled by the Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Summo USA Corporation

Principal (Permittee)

Date

Gregory A. Hahn

By (Name typed):

President

Title

Signature

Surety Company

Robert C. Bates, Inc. - Tulsa, OK

Company Officer

Date

Ms. Debbie Morris - Agent

Title/Position

Signature